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SUBJECT: A BREAKDOWN OF KUWAIT'S BUDGET

¶1. Kuwait's 2007/2008 fiscal year ended on March 31. The following is a brief, aggregate summary of the GOK's projected budget and final accounts for 2007/2008 as estimated by the Central Bank and the National Bank of Kuwait. All figures are listed in million USD except Average Oil Price which is listed in USD per barrel. RFFG is the Reserve Fund for Future Generations, to which the GOK allocates ten percent of its total revenue annually. The RFFG is managed by Kuwait Investment Authority (KIA), Kuwait's sovereign wealth fund.

	Planned Budget	Actual Outcome
Average Oil Price	36.0	75.2
Total Revenues	31,573	73,526
Oil Revenues	28,272	69,648
Non-oil Revenues	3,302	3,878
Total Expenditures	42,882	39,880
Surplus (Deficit)	-11,308	33,645
After transfer to RFFG	-14,466	26,291

¶2. This is the ninth consecutive year in which Kuwait has produced a large budget surplus. Revenue was up 22 percent from 2006/2007, mostly due to the rise in oil prices. Oil revenue made up about 95 percent of total revenue. Non-oil revenues came primarily from the state-owned petrochemicals industry, which is of course directly dependent on Kuwait's production of hydrocarbons, from customs fees on Kuwait's large volume of imports, and from taxes levied on foreign companies. Public spending once again came in below budget, mostly due to the GOK's inability to execute major infrastructure projects including a new refinery and power plants. Total expenditure typically comes in five to ten percent below budget. Only about one percent of total government spending went to infrastructure projects this year, despite a pressing need for more investment in this area. The largest expenditures were for Wages, Salaries, and Other Compensation (about 45 percent of total expenditures when Social Security is included); and Government Services, which includes subsidies for health care, education, utilities, and food. Excluding two exceptional transfer payments in 2006/2007 that went to Social Security and an Amiri grant to all citizens, government spending increased by 29 percent between 2006/7 and 2007/8.

¶3. The following is Kuwait's projected budget for FY 2008/2009, which began on April 1. Units are the same as the previous table.

	Planned Budget
Average Oil Price	50.0
Total Revenues	48,120
Oil Revenues	44,211 (92 percent of total)
Non-oil Revenues	3,909
Total Expenditures	70,164

Surplus (Deficit) -22,045
After transfer to RFFG -26,857

14. The GOK's projected budget deficit for 2008/2009 is based on a higher but still extremely conservative oil price of USD 50 per barrel. As long as the price of oil averages above USD 70 per barrel this year, Kuwait will register yet another budget surplus. The USD 27 billion (64 percent) rise in total expenditures includes substantial investments in power plants and oil sector infrastructure, a 20 billion USD transfer payment to the social security fund, and a USD 2.6 billion increase in wages to reflect a recently announced pay raise for all public sector employees.

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